

Financial Aid 101

Paying for Higher
Education



Pennsylvania Higher Education Assistance Agency

The background of the slide is a dark grey rectangle with a thin orange border. This rectangle is set against a collage of various US dollar bills, including \$100, \$20, and \$10 bills, which are visible at the corners and edges of the frame.

**Please silence
your cell phones!**
Thank you for being considerate
to the people around you.





Your Presenter

Amy Sloan
Higher Education Access
Partner

asloan@pheaa.org

What we will discuss tonight

- **What is financial aid**
- **Free Application for Federal Student Aid (FAFSA) and other forms**
- **Cost of attendance (COA)**
- **Expected Family Contribution (EFC)**
- **What is financial need**
- **Categories, types, and sources of financial aid**
- **Smart Borrowing**

Do These Headlines Keep You Up At Night?

- **Student loan burden continues to grow**
- **Paying For College - Are You and Your Student on the Road to Going Broke Or Into a Lot of Debt?**
- **Is College worth the money?**
- **U.S. Student-Loan Balances Increase 55% Since 2005**
- **When Kids Come Back Home**
- **On average, student borrowers owe about \$27,000**

Determining Affordability

- Approach this as though you are not buying a school, you are buying an EDUCATION.
- Look at sticker price (but don't be scared away)!! Tuition costs in PA range from \$2,500 to more than \$40,000....PLUS room and board. Calculate out-of-pocket cost.
- Be open minded and diverse in college searches.
- Think in terms of yesterday's money, today's money, and tomorrow's money.
- Determine how much you can afford to borrow.
- Set some parameters right up front.

What is Financial Aid?



Where does the Money come from?

- **Federal / State Government**
- **School / College**
- **Private Sources**
 - Clubs and organizations
 - Employers
 - Internet scholarship searches



The Free Application for Federal Student Aid (FAFSA)

Used to determine student
eligibility for:

- **Federal programs**
- **State programs**
- **School programs**

FAFSA

- The FAFSA may be filed beginning on January 1 of the senior year of high school.
- For the 2014-15 academic year, the FAFSA may be filed beginning January 1, 2014
- *The FAFSA must be completed every year!*

Ways to Apply

Online at www.fafsa.ed.gov

- safe, secure, fast, skip logic, built in edits
- print the confirmation page when complete

Paper FAFSA – call 1-800-433-3243

www.FAFSA.ed.gov

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FAFSA™
Free Application for Federal Student Aid

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Get help paying for college

Submit a Free Application for Federal Student Aid (FAFSA)



New to the FAFSA?

Start A New FAFSA

Returning User?

- Make a correction
- Add a school
- View your Student Aid Report (SAR), and more...

Login

Deadlines

Information about your deadlines.

School Code Search

Find your college's school code. Also find detailed information about your college.

Announcements

- Use the [IRS Data Retrieval Tool](#) to update your FAFSA with IRS tax return information.

If you have already submitted a FAFSA and would like to use the Tool, click Login to start a correction.

Whose Information Goes on the FAFSA?

- **Divorced or separated parents - yes**
- **Stepparents - yes**
- **Adoptive parents - yes**
- **Foster parents - no**
- **Legal guardians - no**
- **Anyone else the student is living with - no**

Information you Need to Complete the FAFSA

- Social security numbers
- Federal income tax return (1040, 1040A or 1040EZ)
- W-2 forms from all employers
- Current bank statements (checking and savings)
- Current business and farm records
- Records of any stocks, bonds and other investments, including 529 accounts
- Additional untaxed income tax records may be needed such as: Veteran's non educational benefits, child support paid/received and workers compensation.
- Alien registration or permanent resident card (if not a US citizen)
- **The FAFSA does not ask about personal debt – credit card debt, car loans, etc**

FAFSA Tips

- **Don't mix answers for student and parent information**
- **Use the Correct SSN**
- **E-mail addresses used – very important*****
- **Have federal income tax and other related information as references**
- **It's OK to ESTIMATE if taxes aren't filed yet**
- **Don't Delay, Don't Miss Deadlines**

Personal Identification Number (PIN)

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[CPS Web Application Demo System](#)

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FAFSA Filing Options

Learn about the alternatives for filing.

Announcements

- The new FAFSA is coming! To make this change, FAFSA on the Web will be unavailable:
Sunday, Dec. 30 from 12 a.m. ET through 7 p.m. ET
Monday, Dec. 31 from 8 p.m. ET through 1 a.m. ET on Tuesday, Jan. 1.

Thinking About College?



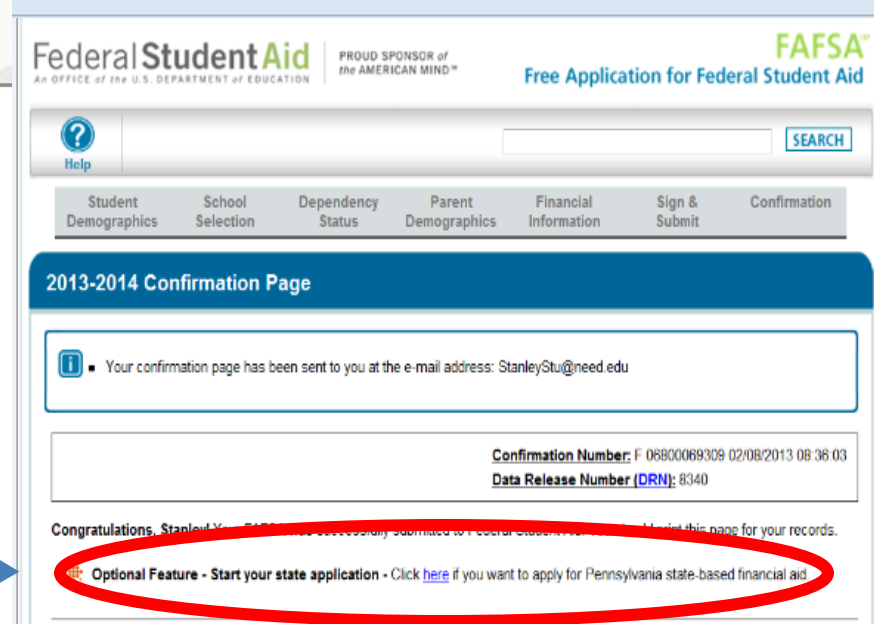
Use FAFSA4caster to see how federal student aid can help you pay

IRS Data Retrieval Tool

- While completing the FAFSA, applicant may submit request to IRS for tax data
- IRS will authenticate taxpayer's identity
- If match found, IRS sends results to applicant in new window
- Applicant chooses whether or not to transfer data to FAFSA

FAFSA Confirmation Page

Apply for your State Grant
From the FAFSA
Completion/Confirmation
Page



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Free Application for Federal Student Aid

Help [SEARCH]

Student Demographics | School Selection | Dependency Status | Parent Demographics | Financial Information | Sign & Submit | Confirmation

2013-2014 Confirmation Page

• Your confirmation page has been sent to you at the e-mail address: StanleyStu@need.edu

Confirmation Number: F 06800089309 02/08/2013 08:38:03
Data Release Number (DRN): 8340

Congratulations, Stanley! Your FAFSA has been successfully submitted to Federal Student Aid. We will email this page for your records.

Optional Feature - Start your state application - Click [here](#) if you want to apply for Pennsylvania state-based financial aid

Start your state application to apply for Pennsylvania state based financial aid

- Your FAFSA information will be made available to your school(s), and they will use it to determine the aid you may be eligible to receive.
- Your school(s) will contact you if they need more information or when they are ready to discuss your financial aid award.
- If you have questions about your financial aid package, contact your school(s).

Eligibility Information

Estimated Expected Family Contribution (EFC) = 00000

The EFC is an index that schools use to determine your eligibility and is not the amount of money that you have to pay. Your school's financial aid office will use your EFC to determine the specific types and amounts of student aid you are eligible to receive.

Based on the [eligibility criteria](#), you may be eligible for the following:

[Pell Grant](#) Estimate - \$5,550.00

[Direct Stafford Loan](#) Estimate - \$9,500.00


You may also be eligible to receive other federal, state, or institutional grants, scholarships, and/or work-study.

In addition, you should learn about [federal tax benefits for education](#), including the American Opportunity Tax Credit (AOTC).

You indicated that you were going to file your taxes and were providing estimated 2012 tax information. Once you have filed your tax

SGF through Account Access

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I want to...
Select and go to...

Search PHEAA:
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[Calculators](#)
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Account Access From AES



Account Access
[Sign In Now](#)

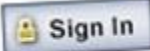
Get instant access to your financial aid 24/7.

Sign in to Account Access if you are a student who has applied for or received financial aid through one of several funding programs that we offer. This online account management tool from American Education Services (AES), PHEAA's commercial lending division, is secure and easy to use, and you can always find the most up-to-date information available.

Account Access

Username:

[Where do I enter my password?](#)

 **Sign In**

- [Create account](#) (students only)
- [Reset password](#)
- [Forgot username](#)

Participate in the Pennsylvania State Grant Program

To pursue a Pennsylvania State Grant or Summer State Grant, you must create an account and sign in to Account Access to do any of the following.

- Complete the Pennsylvania State Grant Form.
- Apply for a Summer State Grant.
- View the status of your State Grant.

Contact Us

1-800-233-0557
ecom@pheaa.org

Know what financial aid forms your school requires

- **Free Application for Federal Student Aid (FAFSA)**
- **PA State Grant Form (SGF)**
- **CSS PROFILE Form**
- **Institutional Application**

Know Your Deadlines

Know all of your state and school/college deadlines and file the FAFSA by the earliest deadline.

- **School Deadlines** – vary by school
- **PA State Grant deadlines** –
 - **May 1, 2014** - First Time and Renewal Applicants that plan to enroll in a degree program or a college transferable program at a junior college or other college or university
 - **August 1, 2014** - First Time applicants that plan to enroll in a community college; a business, trade, or technical school; a hospital school of nursing; or a 2-year program that is not transferable to another institution




Expected Family Contribution (EFC)

- **An EFC will be provided to you on your confirmation page of the FAFSA.**
- **This is the final result of completing the FAFSA.**
- **Applicants receive a SAR (Student Aid Report) after the FAFSA is processed. (Review and make any corrections necessary.)**

Where does my FAFSA go?

- The information on your FAFSA and your resulting EFC are sent to the schools/colleges that you listed on the FAFSA and to PHEAA.
- You will also receive notification that it has been processed.



What is the Federal form
students complete to apply
for financial aid?



Free Application for Federal Student Aid- FAFSA



Financial Aid 101

Forms Are Filed...
What's Next?



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What is the Expected Family Contribution (EFC)?

- Amount family can reasonably be expected to contribute towards the students education
- Stays the same regardless of college
- Two components
 - Parent contribution
 - Student contribution
- Calculated using data from the federal form – the FAFSA

Expected Family Contribution (EFC)

Expected Family Contribution (EFC) is determined based on your FAFSA information including:

- Parent income and assets**
- Student income and assets**
- Family size**
- Number of children in college**
- Age of the older parent**

School use this number to determine eligibility for financial aid.

What school costs are considered by the financial aid office at the school?

School costs include:

- Tuition and fees
 - Room and board
 - Books and supplies
 - Transportation
 - Miscellaneous living expenses
- Varies widely from college to college

Calculating Financial Need

Schools/colleges receive financial aid information and calculate financial need.

School cost..... \$26,000

EFC.....minus... - 3,000

Financial need..... \$23,000

FAO “awards” student based on financial need and available funding (varies from school to school).

Financial aid award letter sent to student.

Financial Aid Award Letter

- Is official notification from school about financial aid, terms, and conditions
- Lists the type and amount of each award to be received
- Describes what must be done to accept or reject any award
- Discloses students rights, responsibilities, and academic requirements

Packaging Example

<u>Cost</u>	\$15,000	\$25,000	\$45,000
EFC	\$ 3,000	\$ 3,000	\$ 3,000
Need	\$12,000	\$22,000	\$42,000

Free Money	\$ 6,000	\$ 8,000	\$18,000
Loans	\$ 5,500	\$ 7,000	\$ 8,000
Work	\$ 0	\$ 2,000	\$ 3,000
<u>Total Aid</u>	\$11,500	\$17,000	\$29,000

Remaining costs	\$ 3,500	\$ 8,000	\$16,000
------------------------	-----------------	-----------------	-----------------

Actual Contribution			
(Cost – Free Money)	\$ 9,000	\$ 17,000	\$27,000

Special Circumstances

- Recent death or disability
- Change in employment status – reduced income
- Change in parent marital status – separation or divorce
- Student cannot obtain parent information
- Contact the school and ask for a special consideration
AND Contact State Grant Division at PHEAA

Financial Aid 101

Federal, State, and College
Financial Aid Programs



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Federal Programs

Pell Grant up to \$5645 (2013-14)

Campus-based aid – amounts determined by FAO

- **FSEOG**..... up to \$4000
- **Perkins Loan** up to \$5500 (fixed 5% interest rate)
- **Federal Work Study** FAO determines

Federal Loans

- Student Loans
- Parent Loans

Pennsylvania State Grant (PHEAA)

PA State Grant

Full-time, in PA.....up to \$4,363

Part time, in PA.....up to \$2,182

Out of state..... Up to \$600 in DE, MA, OH, RI, VT, WV, and DC

All other states....up to \$500 (NJ, NY, and MD = \$0)

For additional details, see the PA Student Aid Guide page 16, or visit www.pheaa.org

Pennsylvania State Grant (PHEAA)

- A Pennsylvania State Grant is based on financial need and other requirements
- The maximum amount of the grant is determined, in part, by the cost of attendance at the school:

Community College	\$2,313
State University	\$3,713
State Related	\$3,991
Private Institution	\$4,363

Other State Programs

- **State Work-Study - job related to major**
- **Educational Assistance Grant (EAP) – National Guard**
- **Chafee Education and Training Grant – administered by the Department of Public Welfare**
- **Blind or Deaf Beneficiary Grant**
- **Postsecondary Educational Gratuities Program (PEGP)**
- **Partnerships for Access to Higher Education (PATH)**
- **Pennsylvania Targeted Industry Program (PA –TIP)**

For details, see the PA Student Aid Guide page 19, or visit www.pheaa.org

Scholarships

- Scholarships are **FREE MONEY**
- Scholarships are awarded by foundations, philanthropists, non-profit organizations, businesses and colleges to help students pay for college.
- Check with your School Counselor for Local Scholarships!
- Fastweb.com is the largest, most accurate and most frequently updated scholarship database.

www.fastweb.com

Scholarship Search Tips

- **Start Searching Early**
- **Use FREE Scholarship Search sites**
- **Don't ignore scholarships with smaller award amounts**
- **Don't miss deadlines**
- **Search for Scholarships every year**
- **Check corporate websites such as Target, Walmart, Kentucky Fried Chicken, as they all have scholarship programs and you don't have to work there to get them**

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Smart Borrowing



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True or False?

**Student loans are the
second-largest source of
consumer debt in the
United States**





TRUE

While credit cards are often portrayed as the source of many consumers' debt problems, **student loans are actually the second-largest source of consumer debt in the United States after home mortgages.**

Loan Debt by the Numbers (according to the Consumer Financial Protection Bureau)

- **\$1.1 trillion:** Approximate amount of outstanding student loan debt—second only to mortgages.
- **1-in-5:** U.S. households that have student loans.
- **\$26,682:** Average outstanding balance for a borrower with student debt.
- **1-in-8:** Share of borrowers with more than \$50,000 in student debt.
- **40 percent:** Share of American households headed by someone under 35 that have student loan debt.
- **31 percent:** Percentage increase in the number of student loan borrowers between 2007 and 2012.

Be A Smart Borrower

- **Student debt is an increasing concern as more students graduate with staggering loan amounts.**
- **Think about how you'll repay your debt before you borrow.**
- **Consider every potential free financial aid option before borrowing.**
- **The federal government has made it very easy to borrow – this is good for access, but students need to be aware of the pitfalls of borrowing too much.**
- **If you must borrow, only borrow what you need.**

Smart Borrowing Tips

Research job availability in your chosen field, before selecting your major.

- ✓ You won't be able to repay your student loan if you aren't gainfully employed.
- ✓ Research employment rates in your potential career field before making a final decision on your major.

Smart Borrowing Tips

Research your expected salary in your future career, find an affordable school, and borrow realistically.

- ✓ **There are many paths to the same degree.**
- ✓ **Research every option, including community colleges and commuting.**
- ✓ **Only attend a school you can reasonably afford.**
- ✓ **Only borrow what you absolutely need to attend.**

Smart Borrowing Tips

Consider all types of financial aid carefully.

- ✓ **Grants and scholarships do not need to be repaid.**
- ✓ **Work-study provides part-time jobs for students.**
- ✓ **Loans must be repaid with interest.**

Smart Borrowing Tips

Educate yourself on the many loan options available before borrowing.

- ✓ **No one loan option is perfect for every family.**
- ✓ **Conduct your own research on the various loan options.**
- ✓ **Decide on the best choice for your situation.**

Smart Borrowing Tips

Inconsistent or untimely loan repayment could affect your future.

- ✓ **Unlike other forms of debt, student loans are difficult to discharge in bankruptcy.**
- ✓ **Your credit score could be affected by inconsistent/untimely payment.**
- ✓ **Deferment or forbearance is an option if you are having trouble making payments, but will increase the total owed.**

MySmartBorrowing.org

Become a smart borrower so you are
PREPARED for the future.

GET STARTED >



What state would you like to work in?

Pennsylvania, Philadelphia Region

What career are you interested in?

Start typing career to view suggestions

Not Sure?

Let us help you find your career. Choose your CATEGORY of interest

CATEGORY

- Farming, Fishing, and Forestry
- Food Preparation and Serving Related
- Healthcare Practitioners and Technical
- Healthcare Support**
- Installation, Maintenance, and Repair
- Legal
- Life, Physical, and Social Science
- Management
- Office and Administrative Support
- Personal Care and Service

View your potential salary based
on your career choice!



How much schools might
actually cost!

Payment is about 10.23% of your expenses.)

771.00

121.00

0

303.00

\$2,961.00

\$122.00

CONGRATULATIONS! YOU ARE UNDER BUDGET!

Calculate your possible
future budget!

This interactive tool gives you information you can use to make smart decisions about career choices and paying for college.

Types of Federal Direct Loans

Undergraduate Students

- Subsidized
- Unsubsidized

Graduate students

- Unsubsidized
- PLUS Loan

Parents

- PLUS Loan



Federal Direct Loan Program (for students)

Subsidized = no interest charged to student while enrolled

- Based on Financial Need
- Interest will be charged during the grace period, if the loan is first disbursed July 1, 2012 through June 30, 2014.

Unsubsidized = interest accrues in school and grace

- Any interest not paid during grace will be capitalized at repayment
- ❖ There is a 1.072% fee deducted from loan amount at disbursement.

Interest Rates – Student Loans

Undergraduate – Subsidized and Unsubsidized:

- 3.86% for 2013-14
- Capped at 8.25%

Graduate – Unsubsidized:

- 5.41 for 2013-14
- Capped 9.50%

Stafford Borrowing Limits

Dependent Students (excluding students whose parents cannot borrow PLUS)	Base Stafford Loan Amount Subsidized/ Unsubsidized	Additional Unsubsidized Stafford Loan Amount
Freshmen	\$3,500	\$2,000
Sophomores	\$4,500	\$2,000
Juniors, Seniors	\$5,500	\$2,000
Graduate or Professional	\$8,500	\$12,000

Parent Loan for Undergraduate Students (PLUS)

PLUS Loans – Parent & Graduate

- 6.41% for 2013-14
- Capped at 10.50 %
- Up-front fee of 4.288% deducted at disbursement
- May borrow up to full cost of education minus financial aid
- Credit check is required on this loan

Federal Direct PLUS Loan

Repayment begins immediately - can defer repayment until 6 months after student graduates or drops below half-time enrollment.

- If defer payment – encouraged to make interest payments**
- All loans must be repaid within 10 years**

Benefits of Paying Interest

Loans must be repaid with interest. Paying now will reduce what is capitalized!

- **Interest accrues on your unsubsidized student loan and Federal PLUS Loan:**
 - Every day, from the day the loan is disbursed until you make the last payment.
 - Even if your loan is not in repayment.
- **Interest accrues on your subsidized student loan:**
 - Every day, from the day the repayment period starts until you make the last payment.
 - During your grace period if your loan was disbursed on or after July 1, 2012 and before July 1, 2014

Alternative/Private Education Loans

- **Nonfederal loans, made by a *lender* such as a bank, credit union, state agency, or a school.**
- **Student borrows in his or her own name**
- **Based on credit scoring and debt-to-income ratio**
- **Repayment may be deferred until education completed**
- **Fees, interest rates, loan amounts, and repayment provisions vary by lender and are generally higher than federal student loans**
- **Co-signers usually required. Some loan products have a co-signer release option**
- **Compare loans before making choice and read the fine print!**

Financial Aid 101

Final Thoughts



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What can you be doing now...prior to completing the FAFSA?

- Student and parent apply for a PIN at www.pin.ed.gov
- Visit websites with information about college, financial aid and careers www.educationplanner.org
- Visit www.mysmartborrowing.org
- Explore scholarship opportunities
- Use the FAFSA4caster – www.fafsa4caster.ed.gov

Reduce the Need for Financial Aid and Loans

- ✓ **Graduate on Time**
 - **4 year for Bachelors Degree / 2 year Associates Degree**
- ✓ **Research and find the right school and major**
 - **Minimize transfer and change of major**
- ✓ **Earn college credits while in high school through AP courses, Vo-Tech, and dual enrollment**
- ✓ **Consider options for cutting costs (commute, take summer classes, buy used books, make smart meal plan choices)**
- ✓ **2 + 2 Strategy (2 years at a Community College then transfer credits to a 4 year school)**
- ✓ **3 + 2 (Master's Degree)**

Key Reminders/Wrap-Up

- Narrow down career choices
- Research and apply to several schools
- Work hard on scholarship search
- Don't fear the FAFSA (do the State Grant app, too)
- **Remember to File the FAFSA every year**
- Compare estimated financial aid award letters
- Make the tough choices
- Think of the future
- **BE A SMART CONSUMER!**

Resources

- www.PHEAA.org
- www.mysmartborrowing.org
- www.EducationPlanner.org
- www.Youcandealwithit.com
- www.Myfedloan.org
- PHEAA State Grant toll free: 1-800-692-7392
- Federal Student Aid Info Center – 1-800-433-3243
- www.fafsa.ed.gov
- <http://studentaid.ed.gov>
- www.studentloans.gov

– information on federal loans

Presenter Contact Info

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Pennsylvania Higher Education Assistance Agency

Questions?



Pennsylvania Higher Education Assistance Agency